



JAMES BURG TRUCKING COMPANY

December 1, 20009

On time. Time and again.

Dear Members of the House Tax Policy Committee:

As the President and C.E.O. of James Burg Trucking Company (JBTC), I am writing to express my support for House Bill 4481 (Corriveau) and request that the House of Representatives pass it immediately. This bill will help to ensure that transportation and manufacturing jobs remain in our state at a time when we can least afford to lose another Michigan worker.

House Bill 4481 provides tax relief to transportation general contractors who subcontract freight hauling projects. Currently, if a general contractor in the trucking industry subcontracts a project, he is required to pay the gross receipts tax on the entire revenue amount for that project and cannot claim his payment to the subcontractor as a cost. The subcontractor also has to pay tax on the amount he receives from the general contractor, which leads to the double taxation of the same revenue. This is best illustrated with an example: JBTC receives a \$400 order for transporting manufacturing related products. We hire an independent truck to ship the load for \$300. The independent trucking company receives \$300 and the balance revenues of \$100 will cover the overhead, expenses and, how dare I say, profits, of JBTC. But, under the MBT, JBTC has to report the full \$400 as income and cannot report the \$300 as a cost – therefore we are taxed on the full \$400. Additionally, the independent truck owner is also taxed on the \$300 as their income.

This scenario is similar to taxing products/services on the wholesale level. It is important to note that this type of taxation problem has been previously recognized and other industries have received the general contractor tax relief that I am requesting. For instance, general contractors in the construction field are exempt from this tax. I think it is also worth mentioning that numerous tax credits, even refundable credits, have been enacted in an effort to foster industries that do not currently exist in this state.

My company supports the automotive and greater manufacturing industry. Any increase in my costs will eventually be passed on to our customers and ultimately the consumer of our customer's goods. If the tax increase under the MBT is not realized by my competitors operating in neighboring states I will become disenfranchised and uncompetitive. I will either lose business causing additional local layoffs at my company, or be forced to move to favorable jurisdiction. More importantly, cost increases to my customers may put them at a competitive disadvantage to their peers operating in other states resulting in further deterioration of the Michigan manufacturing base.

JBTC has been a responsible tax paying entity in Michigan for over 20 years. We would prefer to retain our presence in Michigan and we hope that the legislature will work with us so we can remain here. Thank you for time and consideration of the passage of HB 4481.

Best regards,

James D. Burg
President/ C.E.O.

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